finances

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financial foundation

This chapter documents the financial assumptions that go into the financially constrained element of the Transportation 2030 Plan, and identifies how much money is available to address critical transportation needs. This financially constrained element, composed of federal, state, regional and local revenues, is what we think we can afford over the next 25 years with currently available revenues — our "down payment" on future mobility, so to speak. MTC has developed a series of "calls to action" that will be needed to address projected funding shortfalls and support our overall vision for the Transportation 2030 Plan.

The Transportation 2030 Plan applies three broad approaches for improving our transportation system — adequate maintenance, system efficiency and strategic expansion. Each effort will call upon us to make tough decisions on what investments we make. The bottom line, however, is that the vision element of the Transportation 2030 Plan will fall short of full implementation due to scarce resources. The Bay Area will need to find new revenue to meet the transportation challenges ahead.

The Down Payment

Financial Assumptions

In 1991, the Intermodal Surface Transportation Efficiency Act (ISTEA) instituted a requirement that long-range transportation plans be financially constrained. Successor legislation, the Transportation Efficiency Act for the 21st Century (TEA 21), passed in 1998, reaffirmed this federal planning mandate. TEA 21 expired on September 30, 2003. Congress has not yet passed new authorizing legislation, but it appears likely that the "financial constraint" feature of current law will continue.

The financial assumptions for the financially constrained element of the Transportation 2030 Plan are as follows:

- Federal highway revenues for Surface Transportation Program (STP), Congestion Mitigation and Air Quality Improvement (CMAQ) Program and Transportation Enhancements are assumed to grow at a rate of 3 percent annually based on the average apportionment levels that the Bay Area received during TEA 21.

- Federal transit revenues for Federal Transit Administration (FTA) Sections 5307, 5309, 5310 and 5311 are assumed to grow at a rate of 3 percent annually based on the fiscal year (FY) 2004 appropriation levels.

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- Senate Bill 45 currently lays out the program structure and distribution formula for state revenues. This law is assumed to continue over the next 25 years. State revenues for the State Highway Operations and Protection Program (SHOPP), the State Transportation Improvement Program (STIP), and State Technical Assistance (STA) are assumed to grow at rates consistent with Caltrans' long-range travel and fuel forecasts.

financial foundation

JOHN BENSON

- In March 2002, California voters approved Proposition 42, a measure that transfers sales tax on gasoline from the General Fund to transportation purposes. Starting in FY 2008–09, Proposition 42 is scheduled to augment the STIP, STA, and local streets and roads gas tax subventions by formula shares.

- The Bay Area is projected to receive its historic share of the federal and state discretionary revenues described above.

- Regional toll revenues are based on projected travel demand on each of the region's toll bridges.

- Revenues from Assembly Bill 1107 half-cent sales tax for the three BART counties of Alameda, Contra Costa and San Francisco are assumed to grow at an average growth rate of 6 percent, based on the Center for Continuing Studies on the California Economy's (CCSCE) 20-year taxable sales projections.

- Revenues for the Transportation Development Act, the quarter-cent sales tax imposed statewide, are based on the CCSCE taxable sales projections for each county.

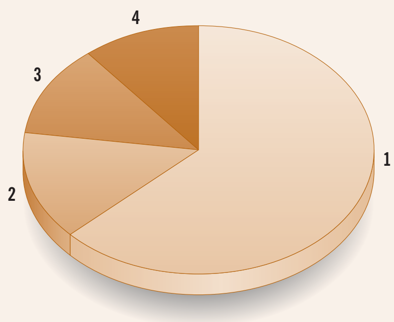
- County transportation sales tax revenues for Alameda, Contra Costa, San Mateo, San Francisco and Santa Clara are based on CCSCE projections. Revenues for measures approved by voters in November 2004 for San Mateo, Contra Costa, Marin and Sonoma counties are based on projections provided by the respective transportation authorities. Alameda county's sales tax measure, which has a fiscal year 2021–22 sunset date, is assumed not to be renewed. In the financially constrained element of this plan, no new transportation sales taxes are assumed for those counties where they presently do not exist (Napa and Solano counties).

- Local streets and roads revenues include state gas tax subventions, county sales tax subventions and other local funds. A regionwide growth rate was applied to estimate these revenues over the next 25 years.

- Transit fares are expected to keep pace with inflation during the 25-year period. Projected revenues for operator-specific fund sources — such as the Golden Gate Bridge toll, AC Transit and BART property taxes, and San Francisco Muni general fund and parking revenue — have been provided by the respective operators.

Projected 25-Year Revenues

Financially Constrained Element



		Billions of Dollars	Percent of Total
1	Local	$75	64%
2	Regional	$16	13%
3	State	$14	12%
4	Federal	$13	11%
	Total	$118	100%

Transportation 2030 Budget

Applying these assumptions to the main transportation revenues sources yields a 25-year revenue estimate of approximately $118 billion. This becomes the budget for the financially constrained element of the Transportation 2030 Plan. As shown in the pie chart above, most of these funds are from local sources, primarily transit fares, dedicated sales tax programs, state gas tax and county sales tax subventions to local streets and roads. Making up a smaller piece of the pie are state and federal revenues, mainly derived from gas taxes, and regional sources, mostly bridge tolls (including the recent voter-approved Regional Measure 2 Toll Bridge Program) and BART sales tax revenues.

Making the Down Payment

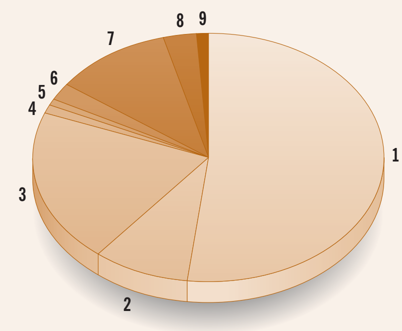
MTC begins by directing the projected $118 billion in available funding to the region's core investments. This is what we can afford to pay — our down payment. Prioritizing these funds for worthy projects and programs is a necessary first step of this plan.

The full impact of working within a $118 billion budget can only be appreciated when matching available revenues against the costs incurred in managing a bustling transportation system. Accordingly, MTC prepared estimates of the maintenance and operating costs for components of the transportation system. With these estimates in place, MTC can begin making commitments to fund these core investments.

The spending recommendations proposed by the Transportation 2030 Plan are focused on maintaining and operating the existing transportation system efficiently and making strategic investments to keep pace with the Bay Area's projected growth over the next 25 years. As shown in the pie chart to the right, $94 billion of our down payment — 81 percent — will go toward the ongoing maintenance and rehabilitation of the region's transportation infrastructure. The remaining expenditures include another $5 billion (4 percent) to operate and manage the system more efficiently and close to $19 billion (15 percent) to expand our highways, transit and local roads. The specifics on where to invest and how much of a down payment this plan proposes to make is explored in greater detail in the following chapter.

Transportation 2030 Plan Expenditures

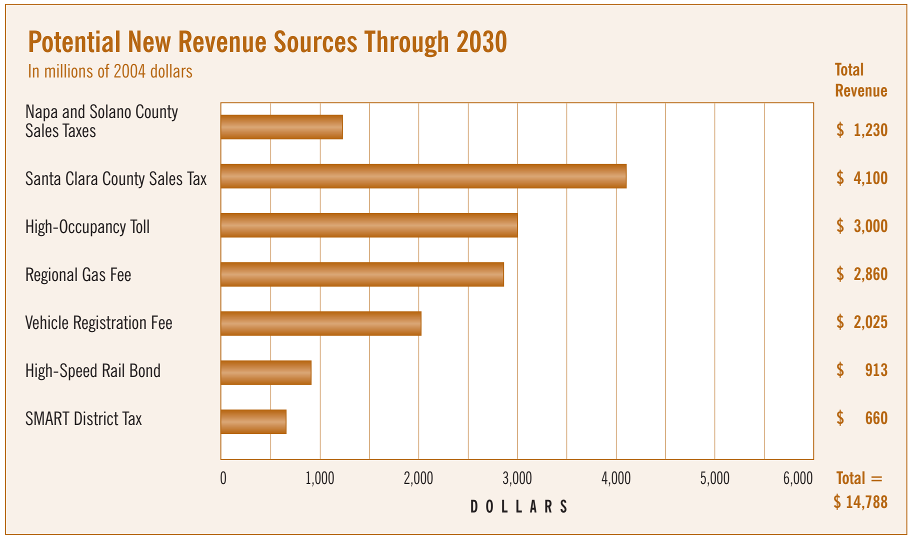
Financially Constrained Element



		Billions of Dollars	Percent of Total
	Adequate Maintenance		
1	Transit	$61	51%
2	Highway	$10	9%
3	Local Roads	$23	20%
	System Efficiency		
4	Transit	$2	1%
5	Highway	$1	1%
6	Local Roads	$2	2%
	Strategic Expansion		
7	Transit	$13	11%
8	Highway	$5	4%
9	Local Roads	$1	1%
	Total	$118	100%

While the funding picture presented here covers most of the region's projected transportation expenses, it does not capture the "universe" of transportation spending in the region. For example, the $118 billion does not include airports, seaports, and private freight and rail operations. Neither does it include the large personal expenditure on transportation by individuals, largely through out-of-pocket costs for automobiles — purchase price, gasoline, insurance, etc.

Funding the Transportation 2030 Vision



Although a vast sum of money, the $118 billion budget is not enough. The Bay Area is faced with tremendous funding shortfalls just to maintain the existing transportation network, including transit operating and capital replacement ($4.1 billion) and local streets and roads maintenance ($6.1 billion). Our state highway system continues to age and fall into a state of disrepair due to a $7 billion shortfall. Full deployment of our regional operations programs such as TransLink®, 511, Freeway Service Patrol, call boxes and freeway system management improvements — all of which are designed to squeeze more mileage from the existing transportation system — is short-circuited due to a $439 million shortfall. Bicycle and pedestrian needs aren't fully funded. And opportunities for us to make strategic expansion investments in our transit and roadway systems are missed because the dollars just aren't there.

The next big step for the Transportation 2030 Plan is to develop a regional strategy to address significant shortfalls in maintaining our local roads and transit networks, and to fund system efficiency and capacity investments to keep pace with the region's growth. We must forge a strong regional consensus around this strategy, and generate the momentum needed to deliver it within the near term. The implied timeframe for this Transportation 2030 vision is within the next five to 10 years if it is to represent a real "call to action." To this end, the plan defines a set of complementary revenue and policy measures to guide our efforts to restore our roads, squeeze more efficiency out of the system and improve regional mobility. Each call to action is predicated on steps that MTC believes to be realistically achievable in the years ahead.

Success in carrying out this vision will require imposing higher transportation fees and taxes to generate much-needed revenues. This is a steep hill to climb, and MTC will need all the help we can get from our local partners, state legislators and members of Congress to deliver new funding and better mobility. Most of all, we will need the active participation of an engaged Bay Area citizenry to carry the day.

Call to Action and Advocacy

Key transportation revenue sources that MTC — along with our transportation partners and stakeholders — will pursue include new and renewed county-level transportation sales taxes for Solano, Napa and Santa Clara counties, a new Sonoma Marin Area Rapid Transit (SMART) district tax, a high-speed rail general obligation bond, a new vehicle registration fee, a new regional gas fee, and toll revenues from a Bay Area high-occupancy/toll (HOT) network. These new revenue sources could generate as much as $14.8 billion for additional transportation investment in the region over the next 25 years (see graph above).

Equally important in the search for new revenue is the need to select the right infrastructure investments once funding is secured. MTC supports a performance-based approach that weighs competing projects in a given corridor against each other according to criteria such as cost-effectiveness and congestion relief (see "Assessing Investments" on page 38).

County Transportation Sales Taxes

Local transportation sales tax measures have been the bulwark of the Bay Area's transportation funding in response to the reluctance of the state and federal governments to raise the fuel tax. Seven of the nine Bay Area counties have successfully enacted voter-approved transportation sales tax initiatives. As a result of the passage of their November 2004 measures, San Mateo and Contra Costa counties join Santa Clara, Alameda, and San Francisco counties in having successfully renewed their existing sales tax measures. Marin and Sonoma counties also became a part of the "self-help" movement by securing voter support for new sales tax measures. Solano County made a valiant effort at the ballot, receiving 64 percent of voter approval but ultimately falling short of the two-thirds majority needed for passage. Additionally, Napa County attempted to ride the wave of sales tax measures, but failed to gain the necessary board approvals to place it on the November 2004 ballot. Santa Clara County may consider going back to the voters for approval of another county sales tax measure in the near future.

High-Occupancy/Toll (HOT) Network

MTC views the HOT concept as a promising strategy to expand the region's HOV lane system and to introduce a pricing signal to motorists and encourage wise use of the highway network. Bonds could be issued against the new toll revenue to finance construction of HOT lanes where gaps exist in the HOV network, and to operate additional transit and rideshare services in a given HOV corridor. State legislative approval was recently secured to test this concept in Alameda and Santa Clara counties. HOT lanes already are successfully deployed in Orange and San Diego counties as well as in Houston and Minneapolis.

Regional Gas Fee

MTC has legislative authority to seek voter approval of up to a 10-cent-per-gallon gasoline fee in Bay Area counties for identified transportation improvements. Revenues raised may help fund local streets and roads maintenance, transit capital replacement and operations, freeway system efficiency strategies and arterial strategies. Previous MTC polls have indicated some receptivity to a two- or three-cent levy, perhaps to maintain local roads ("pennies for potholes") and support transit capital replacement and operations. MTC assumes that a 5-cent-per-gallon gasoline fee (perhaps with a simple majority vote rather than the current two-thirds vote requirement) could be implemented in the near- to mid-term horizon of the Transportation 2030 Plan.

Vehicle Registration Fee

The region could pursue legislative approval for a $20 vehicle registration fee for the Bay Area. The recent state legislative session saw two attempts — one successful and one not — to impose new vehicle registration fees. Winning passage was Assembly Bill 1546 (Simitian), which authorizes the San Mateo City/County Association of Governments to impose a fee of up to $4 on motor vehicles registered in the county for the management of traffic congestion and stormwater pollution. Failing to win approval, however, was Assembly Bill 574 (Yee), which would have authorized the City and County of San Francisco to impose a fee on motor vehicles registered in the county for the construction, improvement and maintenance of local streets. Due to the scarcity of funding for local streets and roads maintenance, MTC would advocate that cities and counties use vehicle registration fee revenues to backfill their road maintenance needs.

High-Speed Rail Bond

The California High-Speed Rail Authority plans to seek voter approval of $9.9 billion in general obligation bonds in 2006 (or perhaps 2008) to fund the initial stages of a high-speed rail network between southern California, the Bay Area and Sacramento. It will be fully integrated with the state's existing mass transportation network. The total price tag of the statewide high-speed rail system is about $37 billion. The Authority likely will need to incrementally implement high-speed rail segments and seek additional funding to develop a statewide high-speed rail system.

SMART District Tax

The Sonoma Marin Area Rapid Transit (SMART) District plans to pay for the capital and operating costs of a commuter rail project extending from Cloverdale to San Rafael by levying a 20-year, quarter-cent sales tax starting in 2007 if voters agree. The state and federal funds that have already been secured for this project would leverage against the $660 million in potential revenues to be generated from this district tax.

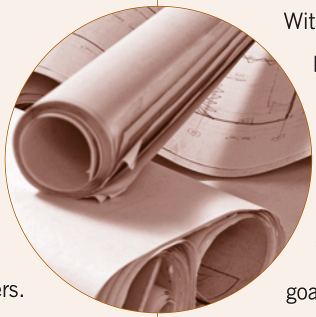
assessing investments

Project and Program Evaluations

An important consideration in choosing future investments is the extent to which they help achieve the Transportation 2030 vision. In the months leading up to the preparation of the Transportation 2030 Plan, MTC conducted a performance evaluation of over 400 projects and programs. MTC's objective was to link potential investments to the Transportation 2030 goals and inform decisions about which new projects to recommend for inclusion and whether to recommit to existing projects with significant cost increases. The project-level performance evaluation represents an ambitious extension of the performance analysis for the 2001 Regional Transportation Plan, in which MTC assessed the performance of alternative investment packages but not of individual projects.

Measures Track Goals

The project performance measures were developed in the spring of 2003 with input from partner transportation agencies, members of the MTC Advisory Council and other interested stakeholders. The measures correspond with the Transportation 2030 goals and include: collision reduction, seismic safety, system efficiency and reliability, connectivity and access, contributions to clean air, significance for goods movement, support for MTC/ABAG Smart Growth policies, and ability to address the transportation needs of disadvantaged communities.



In the course of the evaluation, MTC looked at a wide range of potential investments, ranging from freeway widenings for new carpool lanes and enhanced transit routes to transit-oriented development projects and pedestrian overcrossings of freeways. Among the projects considered were at least 40 projects proposed by members of the public, who were invited for the first time to submit their project ideas for the regional plan directly to MTC.

The evaluation generated a wealth of information and, in particular, enabled comparison among alternative investments addressing each of the Transportation 2030 goals. A good many of the projects that rose to the top for each goal were ultimately recommended for inclusion in this Transportation 2030 Plan.

Sharpening the Metrics

With the Transportation 2030 project performance evaluation, MTC has taken a clear first step toward improving its ability to measure the contributions of specific investments toward regional goals. MTC has identified a number of steps to build on the accomplishments to date and sharpen the assessment of potential projects for future long-range transportation plans.

BILL HALL, CALTRANS

- MTC and partner agencies must consider how to better time the project performance analysis so the results are available when discussions about county and regional investments first get under way. An area that deserves special scrutiny for the next long-range plan is how to use performance measures to evaluate projects before voters have endorsed a project and committed to funding it through a local sales tax measure.
- MTC will focus its analysis resources on a smaller number (perhaps 100) of truly major projects to look at their costs and benefits in more depth. These could include big-ticket items, projects likely to have regionally significant impacts, and investments closely aligned with MTC policy initiatives such as lifeline transportation or coordination between transportation and land use.
- MTC will continue to review emerging practices and analysis tools for evaluating difficult-to-measure goals such as a Reliable Commute and Livable Communities.

See *Project Performance Evaluation Report* (described on page 138), for more information.